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Memorandum for:

The attached economic updates were requested by the Office of Secretary of Defense. They were used as briefing material for Secretary of Defense Weinberger.

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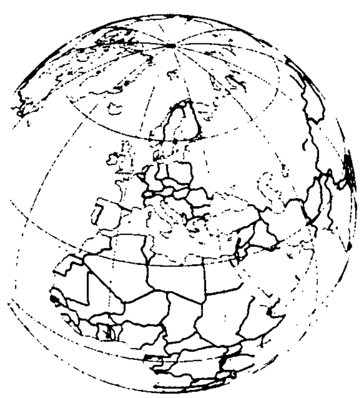

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BELGIUM-LUXEMBOURG: GENERAL ECONOMIC DATA

BELGIUM

Population (1983): 9.9 Million   GDP (Purchaser's Value)/Capita: $8,420

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	68.5	71.3	77.1	83.4*
GDP (Constant Prices - % Change by Year)	2.6	-1.2	0.7	0.7*
Cost-of-Living Index (1980 = 100)	100	108	117	126

LUXEMBOURG

Population (1983): 0.37 Million   GDP (Purchaser's Value)/Capita: $12,140

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	3.2	3.8	4.3	4.8*
GDP (Constant Prices - % Change by Year)	0.3	3.2	0.7	-0.5*
Cost-of-Living Index (1980 = 100)	100	108	118	128

25X1

The Belgian economy is emerging from the doldrums, but tougher austerity measures by the government and structural weaknesses will permit only slow progress. Real growth in 1984 will probably not exceed 1.5 percent. Even this limited increase will be welcome, however, because the Martens government is counting on higher revenues generated by renewed growth to make it easier to sustain its politically controversial economic recovery program. Although both Liberal and Social Christian members of the coalition approved the tough new measures in mid-March after protracted negotiations, increased social tensions are likely to test the government's resolve between now and the national elections which must be held by fall 1985.

The principal objective of the economic recovery program is to lower the budget deficit as a percentage of GDP from last year's 13 percent to 7-8 percent within three years. This reduction will be accomplished almost exclusively by expenditure cuts, including decreases in cost-of-living adjustments for wages and most social security benefits. This continued squeeze on incomes will keep the growth of domestic consumption to a low level, but, on the bright side, inflation is likely to decline from last year's 7.2 percent to about 6 percent, and the current account deficit will probably show further improvement.

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TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	88.9	87.3	82.6	86.0*
Imports of Goods and Services	92.6	90.1	84.4	87.0*
Balance of Goods and Services	-3.7	-2.8	-1.8	-1.0*
Current Account Balance	-4.9	-4.0	-3.0	-2.6*
Long-Term Capital	3.3	4.4	3.8	3.8*
Total Reserves Minus Gold (yearend)	7.8	5.0	3.9	4.7

*Preliminary.

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[redacted] 25X1

CANADA: GENERAL ECONOMIC DATA

Population (1983): 24.9 Million GDP (Purchaser's Value)/Capita: $13,060

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	247.1	284.5	300.0	325.7
GDP (Constant Prices - % Change by Year)	1.3	2.9	-4.7	3.0
Cost-of-Living Index (1980 = 100)	100	112	125	138

25X1

[redacted] A solid, sustainable economic recovery is under way in Canada after a steep drop in economic activity in 1982. Real GNP growth of 3 percent in 1983 probably will improve to about 4.5 percent in 1984. Consumer spending -- the driving force behind the recovery in 1983 -- is likely to remain strong. More important, business capital spending should begin to recover. Canadian inflation slowed considerably last year, to 5.8 percent, and should hold at about that rate this year. Little improvement will be seen in employment, however, as the jobless rate probably will average 10.8 percent this year.

25X1

[redacted] We expect a federal election in Canada later this year and the Liberal government appears to be preparing a campaign emphasizing responsible management of the economy. In his February 1984 budget, Finance Minister Lalonde declined to stimulate the economy further; he offered only minor tax changes to encourage private investment and focused on limiting growth in the federal deficit. Ottawa remains concerned that inflation can easily be refueled and will be very careful not to overheat the economy. The value of the Canadian dollar has dropped from US 80 cents to US 78 cents recently, and the Bank of Canada will try to keep the Canadian dollar from sliding further. Despite recent increases in the prime rate we do not expect interest rates to rise significantly in 1984.

[redacted] Canada's merchandise trade surplus -- $14.6 billion in 1983 -- fell just short of the previous year's record, and for the second consecutive year Canada enjoyed a current account surplus. The healthy US economy is likely to promote Canadian exports through 1984, but this may be more than offset by a sharp increase in import demand as the recovery continues. Canada's services deficit continues to grow, and as a result the current account probably will move from small surplus to approximate balance this year.

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Trade and Payments (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	78.1	83.9	82.2	87.8
Imports of Goods and Services	80.1	90.0	81.0	87.2
Balance of Goods and Services	-2.0	-6.1	1.2	0.6
Current Account Balance	-0.9	-4.8	2.4	1.3
Long-Term Capital	-4.4	-8.7	-3.2	-2.1*
Total Reserves Minus Gold (Yearend)	3.0	3.5	3.0	3.5

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*Estimated.

[redacted]

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[redacted]

DENMARK: GENERAL ECONOMIC DATA

Population (1983): 5.1 Million GDP (Purchaser's Value)/Capita: $11,060

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	41.0	45.4	51.3	56.4
GDP (Constant Prices - % Change by Year)	1.0	0.1	3.5	2.2
Cost-of-Living Index (1980 = 100)	100	112	123	130

25X1

[redacted] Economic activity rose more than expected in the second half of 1983 and prospects are good for a further expansion of 2.6 percent this year. The 1984 budget, passed in February, shows a deficit of $5.4 billion, down slightly from last year, but the improvement is largely due to many temporary measures. In view of the government's declared policy to avoid tax increases, politically difficult budget cuts will be required next year to obtain the programmed deficit reduction.

[redacted] The center-right minority government, in a departure from longstanding social welfare policy, has taken a tough line on government spending. It aims over the longer term to shift demand and reallocate resources from the public to the private sector. However, it faces a socialist opposition determined to restore funds or at least prevent further cuts in welfare spending, especially employment programs. Reduced public subsidies to municipalities this year likely will encourage local jurisdictions to raise taxes and may also force some layoffs. Although unemployment fell slightly, to around 10.5 percent in 1983, it may remain at or near this high level through the end of the decade due to imbalances in the labor force structure. On the positive side, salaries -- now deindexed through mid-1985 -- increased last year at a rate very near the government's target of 4 percent.

25X1

[redacted] Inflation slowed significantly to 5.5 percent in 1983, but its steady reduction has stalled. Underlying developments in wholesale, raw material, and import/export price indices could push inflation to 6 percent this year. Domestic demand and imports have risen since the last quarter of 1983, spurred by excessive monetary expansion and lenient consumer credit practices, and will probably contribute to a limited rise in the balance of payments deficit, compared with a minor reduction last year. The central bank has warned that fiscal policy must be tightened in order to curb the sharp rise in consumer demand, and the government -- adamantly opposed to a devaluation because expectations of such a move tend to force interest rates higher -- probably will heed the monetary authority's advice.

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TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	24.2	23.2	22.2	24.1
Imports of Goods and Services	26.6	24.9	24.3	24.4
Balance of Goods and Services	-2.4	-1.7	-2.1	-0.3
Current Account Balance	-2.5	-1.8	-2.2	-1.2
Long-Term Capital	2.5	1.3	2.4	2.5
Total Reserves Minus Gold (yearend)	3.4	2.5	2.3	3.6

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[redacted]

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FRANCE: GENERAL ECONOMIC DATA

Population (1983): 54.4 Million   GDP (Purchaser's Value)/Capita: $10,870

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	363.0	407.7	465.9	509.7*
GDP (Constant Prices - % Change by Year)	1.3	0.5	1.9	0.4*
Cost-of-Living Index (1980 = 100)	100	113	127	139

25X1

In March 1983 Paris tightened the austerity measures aimed at repairing the damage done by its earlier expansionary policies. The Socialists' effort to stimulate the economy in 1981 -- at a time when most of France's trading partners were in recession -- had sent the current account deficit soaring while also boosting the inflation rate. 25X1

The austerity program began to produce results last year -- particularly in the foreign sector, where the current account improved dramatically. In the last half of the year inflation was down to about 8 percent at an annual rate while wage increases also slowed. 25X1

Although the trade balance and inflation worsened in the first two months of 1984, both are expected to improve for the year as a whole. Another exchange rate adjustment will be required this year to restore the competitive balance between France and West Germany, however. On the negative side, unemployment has been increasing over the past several months and is expected to worsen throughout 1984.

25X1

In the past several months, the Socialists, led by President Mitterrand and by Economics and Finance Minister Delors, have moved toward modernizing French industry by paring down ailing smokestack industries -- such as coal, shipbuilding, and steel. They have indicated that similar plans will be needed in other industries, including autos and telephonics, if France is to become a world-class competitor and strengthen its high technology industrial base. Within the EC they have even made a first step at the reform of agriculture. These steps have caused considerable social unrest in France and have strained relations with the Communist partners in the government.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	171.8	168.7	157.3	155.0*
Imports of Goods and Services	171.8	169.3	164.8	155.0*
Balance of Goods and Services	0.0	-0.6	-7.5	0.0*
Current Account Balance	-4.2	-4.8	-12.2	-4.0*
Long-Term Capital	-8.5	-8.8	1.2	5.0*
Total Reserves Minus Gold (yearend)	27.3	22.3	16.5	19.8

25X1

* Estimated

25X1

GREECE: GENERAL ECONOMIC DATA

Population (1983): 9.8 Million GDP (Purchaser's Value)/Capita: $3,670

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983*
GDP (Purchaser's Value - Current Prices)	19.4	23.2	28.6	36.0
GDP (Constant Prices - % Change by Year)	1.6	-0.4	0.0	-0.6
Cost-of-Living Index (1980 = 100)	100	125	151	182

25X1

The economy continues to deteriorate, as inflation hovers around 20 percent, unemployment is about 8 percent and rising, and GNP stagnates. The government's hostile actions toward the private sector have the business community fearing wide-scale nationalizations; as a result, private investment remains depressed. 25X1

The balance of payments deteriorated further in 1983, as exports fell slightly and tourism and shipping earnings plunged over 20 percent. Only a modest decline in imports -- due mainly to the running down of oil stocks -- and an increase in EC payments held the current account deficit to a little under $2 billion. Athens has financed the large deficit by borrowing heavily, and the growing debt has bankers concerned. 25X1

The Papandreou government continues to pursue policies that, in our judgment, go against market forces and dim the outlook for the economy. For example, Athens has relaxed its moderately restrictive incomes policy for 1984 but plans to tighten price controls and other government restrictions. The 1984 budget projects spending increases of nearly 20 percent. The budget deficit is thus likely to remain large, helping to produce another year of high inflation. The current account is likely to worsen as well, making it increasingly likely that Athens will have to turn to the IMF or the EC for help.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983*
Exports of Goods and Services	8.4	9.2	7.9	7.7
Imports of Goods and Services	11.7	12.8	11.4	11.5
Balance of Goods and Services	-3.3	-3.6	-3.5	-3.8
Current Account Balance	-2.2	-2.4	-1.9	-1.9
Long-Term Capital	2.0	1.6	1.2	1.0*
Total Reserves Minus Gold (yearend)	1.3	1.0	0.9	0.9

* Estimated

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ICELAND: GENERAL ECONOMIC DATA

Population (1983): 0.24 million GDP (Purchaser's Value)/Capita: $8,950

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	0.6	0.9	1.3	2.1
GDP (Constant Prices - % Change by Year)	3.9	1.6	-2.0	-5.4
Cost-of-Living Index (1980 = 100)	100	151	225	418

25X1

Due to a projected drop in the fish catch -- which accounts for almost 80 percent of exports -- GNP this year is likely to decline 4.5 percent, continuing its downward trend. Although the persistent recession has helped to reduce the current account deficit, further significant improvement is not likely. While export competitiveness was improved by two major devaluations last year, this gain is offset by poor fishing prospects -- due mainly to overexploitation of the fish stocks.

25X1

Economic developments in 1983 were highlighted by the 20-percent fall in real wages and the plunge in the inflation rate from over 120 percent to 30 percent at yearend. The decreases were largely due to the center-right government's enactment last May of a two-year suspension of wage indexation, the temporary suspension of collective bargaining, and the subsequent maintenance of a steady exchange rate. Recently concluded wage negotiations resulted in a modest 13-percent, 3-step salary increase for public and private sector employees during 1984-85, just within the government's inflation target of 10-15 percent for this year. Purchasing power is expected to fall by 8 percent in 1984 while unemployment likely will rise to 2 percent, due mainly to a contraction in the fishing industry.

25X1

A decline in real disposable income of about 11 percent led to a 7-percent decrease in private consumption last year, while public spending was stagnant. Aside from some small increases in investment in the shipping, aluminum, and ferro-silicon industries -- which account for over half of non-fishing export earnings -- gross capital formation fell 10 percent in 1983. There is little hope for any major improvement in 1984.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	1.21	1.22	1.05	1.14*
Imports of Goods and Services	1.29	1.36	1.31	1.25*
Balance of Goods and Services	-0.08	-0.14	-0.26	-0.11*
Current Account Balance	-0.08	-0.14	-0.25	-0.05*
Long-Term Capital	0.16	0.20	0.22	0.20*
Total Reserves minus Gold (yearend)	0.17	0.23	0.15	0.15

*Estimated.

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[redacted]

ITALY: GENERAL ECONOMIC DATA

Population (1982): 56.3 Million GDP (Purchaser's Value)/Capita: $6,320

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	223.0	264.2	309.3	351.7
GDP (Constant Prices - % Change by Year)	3.9	0.1	-0.3	-1.2
Cost-of-Living Index (1980 = 100)	100	118	137	157

25X1

[redacted] Italy experienced another year of negative growth in 1983, the only major OECD country to do so. High interest rates, low capacity utilization, and weak profits continued to choke off investment expenditures. Consumer spending declined, while recession in key foreign markets limited export growth. The low level of economic activity caused unemployment to rise to nearly 10 percent, but also brought the current account into near balance as import growth lagged export gains, resulting in a reductio 25X1 of the trade deficit of more than $4 billion.

[redacted] Last June's national elections resulted in a Socialist-led five-party coalition government which has made fighting inflation its top economic priority. Rome hopes to reduce inflation to 10 percent in 1984 by trimming the budget deficit and holding down wage costs. The government is trying to hold the budget deficit to 15 percent of GDP this year, compared to an estimated 17 percent in 1983, but already is falling short of its target. Moreover, key pieces of revenue legislation -- a tax amnesty law and a bill to recover funds from municipal governments -- are meeting strong opposition in parliament. 25X1

[redacted] Before proceeding with additional budgetary measures, Rome is trying to institute an incomes policy. The government issued an emergency decree law in mid-February limiting the inflation adjustment in wages to 9 percent this year, thus breaking a deadlock in labor-government-management negotiations. The negotiations had been at an impasse since early December, largely because the Communist-dominated CGIL union would not accept the government's proposals for a ceiling on indexation. In April, however, stiff opposition in Parliament from the Communist Party -- which is using the issue to shore up its support and convince the ruling coalition that Italy cannot be governed without Communist acquiesence -- forced Rome to issue a weaker modified proposal. If approved, the legislation could contribute to slowing inflation to 12-13 percent this year, down from 15 percent in 1983. Even so, this would still be the highest rate among the Big Seven.

Trade and Payments (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	105.0	100.5	98.9	97.1*
Imports of Goods and Services	116.0	109.9	105.5	98.9*
Balance of Goods and Services	-11.0	-9.4	-6.7	-1.8*
Current Account Balance	9.8	-8.6	-5.8	-0.5*
Long-Term Capital	3.6	8.5	-4.9	NA
Total Reserves Minus Gold (yearend)	23.1	20.1	14.1	20.1

* Estimated.

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[redacted]

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NETHERLANDS: GENERAL ECONOMIC DATA

Population (1983): 14.3 Million   GDP (Purchaser's Value)/Capita: $9,080

Total Output (Billion $US-1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	118.0	123.8	128.7	129.8
GDP (Constant Prices - % Change by Year)	0.8	-0.8	-1.5	-0.5
Cost-of-Living Index (1980 = 100)	100	107	113	116

25X1

Real Dutch GDP fell 0.5 percent in 1983, led by a decline in fixed investment of the same amount; consumer spending remained unchanged. Slow productivity gains, sluggish investment, and a 3-percent cut in welfare benefits and public sector wages will keep growth below 1 percent in 1984. The impetus for this minimal increase will come mostly from exports. The OECD measure of unemployment grew to 13.7 percent in 1983 while the new Dutch accounts system places the rate at over 17 percent. In any event, the figure is expected to rise again in 1984, largely due to the government's austerity measures. Inflation -- cut by half in 1983 to 2.5 percent -- likely will rise to about 4 percent in 1984.

25X1

The Hague faces considerable social unrest as it tries to slow the growth of the budget deficit -- more than $13 billion in 1984, or approximately 12.7 percent of GDP -- by cutting back social welfare spending. Government plans to finance the deficit in domestic capital markets should slow the current decline in interest rates. The sluggish recovery will keep revenues from rebounding in 1984; indeed, the Dutch probably will have little success in reaching even their modest targets for the deficit before 1986.

25X1

The current account surplus increased slightly in 1983 because of a significant increase in energy exports and because low Dutch inflation rates have boosted export price competitiveness. Slow economic growth will keep import demand moderate and probably will contribute to a surplus on the trade and current account balances in 1984.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	95.8	91.2	87.6	85.5*
Imports of Goods and Services	97.6	86.7	83.1	80.8*
Balance of Goods and Services	-1.8	4.5	4.5	4.7*
Current Account Balance	-3.0	3.0	3.2	3.7*
Long-Term Capital	-3.2	-3.3	-3.6	-4.1*
Total Reserves Minus Gold (Yearend)	11.7	9.3	10.1	10.2

*Estimated.

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NORWAY: GENERAL ECONOMIC DATA

Population (1983): 4.1 Million GDP (Purchaser's Value)/Capita: $13,400

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	39.1	45.3	49.7	55.0
GDP (Constant Prices - % Change by Year)	3.9	0.8	-0.6	3.3
Cost-of-Living Index (1980 = 100)	100	114	127	137

25X1

The Norwegian economy is expected to grow about 1.5 percent this year in real terms, mainly on the strength of exports and a modest increase in consumer spending. This performance will fall short of the 1983 recovery rate of 3.3 percent, however, since the rapid increase in oil production from new platforms will slow this year. Nonoil exports are expected to increase somewhat less than the 11-percent rate recorded last year when Norway's exports of raw materials and semi-finished goods responded to foreign inventory building in anticipation of the recovery. Expected increases in imports, in line with private consumption growth, probably will reduce somewhat last year's $2 billion current account surplus. 25X1

The Conservative-led government has had some success in reducing inflation and is trying to improve international competitiveness. Consumer prices will rise about 6 percent this year as slower wage increases help to contain costs. Price competitiveness of Norwegian goods probably will decline slightly, however, because prices and wage costs still are rising faster than in competing countries. Wages probably will rise 6 percent, above the government guideline of 4.5 percent needed to hold relative labor costs constant.

25X1

Fiscal policy is somewhat more expansive than last year in order to deal with a politically damaging unemployment rate of over 4 percent. Growth will be insufficient to reduce unemployment significantly this year, however. The coalition's small center parties won budget compromises for broader employment programs and a reversal of unpopular cuts in social programs. Tax revenue from North Sea oil production will remain constant at over $4 billion and will permit the government to pay off nearly all its external debt this year. Oil tax revenues are key to funding government social spending without threatening other programs such as defense. The only serious threat to the Norwegian economy would be a sharp decline in the dollar exchange rate or a fall in oil prices.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	28.3	28.7	27.3	25.2
Imports of Goods and Services	26.6	25.8	26.0	20.9
Balance of Goods and Services	1.6	2.9	1.3	4.3
Current Account Balance	1.1	2.4	0.8	2.2
Long-Term Capital	-0.6	-0.7	0.2	0.4
Total Reserves Minus Gold (yearend)	6.0	6.3	6.9	6.6

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PORTUGAL: GENERAL ECONOMIC DATA

Population (1983): 10.6 Million GDP (Purchaser's Value)/Capita: $2,070

Total Output (Billion $US - 1982 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	10.9	13.0	16.7	20.7*
GDP (Constant Prices - % Change by Year)	5.5	1.8	3.0	0*
Cost-of-Living Index (1980 = 100)	100	120	147	184

25X1

Portugal's current account deficit improved dramatically last year, falling nearly 50 percent to $1.7 billion. Spurred by a 12-percent devaluation, merchandise exports rose $400 million. Meanwhile, merchandise imports were down $1.4 billion, reflecting the contraction of domestic demand and drawdowns of petroleum and food stocks. 25X1

Having met all of its IMF targets last year, Lisbon hopes to extract concessions from the Fund on 1984 performance criteria. Concerned about the possibility that real GDP may fall as much as 2.5 percent this year and that unemployment may reach 12.5 percent, Portuguese officials are seeking to relax austerity measures in order to stimulate economic growth. Although the IMF is willing to consider Lisbon's request to lower lending rates and ease the budget deficit target, it has ruled out softening the current account deficit target and reducing the monthly rate of escudo depreciation. The Fund has also made it clear that any adjustment of the stabilization program must be matched by Lisbon's effort to reform public sector enterprises. Negotiations are at a standstill, however, because of the Soares government's reluctance to take on this difficult task. On 31 March, the IMF temporarily suspended the program and will not allow Portugal to draw more funds until new targets are agreed.

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Agreement on the targets is essential for Lisbon to maintain access to commercial loans. Lisbon calculates that it must borrow $1.6 billion on the international financial market this year to meet its financing needs, but bankers are holding back on new commitments until negotiations with the IMF are completed.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	6.8	6.4	5.9	6.7*
Imports of Goods and Services	10.9	11.9	11.8	10.4*
Balance of Goods and Services	-4.1	-5.5	-5.9	-3.9*
Current Account Balance	-1.1	-2.6	-3.2	-1.7
Long-Term Capital	0.7	1.3	2.2	1.2*
Total Reserves Minus Gold (yearend)	0.8	0.5	0.4	0.4

*Estimated

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[redacted] 25X1

SPAIN: GENERAL ECONOMIC DATA

Population (1983): 38.4 Million   GDP (Purchaser's Value)/Capita: $4,730

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	105.7	120.1	137.6	157.2
GDP (Constant Prices - % Change by Year)	1.5	0.3	1.2	2.1
Cost-of-Living Index (1980 = 100)	100	114	131	147

25X1

[redacted] Spain is showing signs of a modest recovery. Last year's 2.1-percent real rate of growth was the best performance in six years. Owing to the US recovery and improved European growth rates, export volume was up about 8 percent and accounted for over half of the growth of real GDP. Domestic demand remained sluggish as high taxes and interest rates dampened private consumption and investment. 25X1

[redacted] Despite the faster pace of growth, unemployment rose to 18.4 percent at the end of last year. According to government estimates, more than 2 million jobs have been lost since 1975. The result is that Spain, with the highest rate of unemployment in Western Europe after Turkey, has fewer people employed now than in 1952.

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[redacted] Facing up to Spain's fundamental economic problems, the Socialist government appears determined to carry out an unpopular adjustment program. To lower inflation and unemployment, Madrid is asking trade unions to accept a 1.4-percent real wage decline and is planning to trim the budget deficit from 6 percent of GDP to 5.5 percent. Madrid has also launched an ambitious industrial restructuring program that will cut capacity and jobs in loss-making industries and promote investment in high technology.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	33.9	33.8	35.2	35.0*
Imports of Goods and Services	41.1	40.6	40.9	38.8*
Balance of Goods and Services	-7.2	-6.8	-5.7	-3.8
Current Account Balance	-5.2	-5.0	-4.1	-2.5
Long-Term Capital	4.2	4.2	1.8	2.2
Total Reserves Minus Gold (yearend)	11.9	10.8	7.9	7.4

*Estimated

[redacted] 25X1

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TURKEY: GENERAL ECONOMIC DATA

Population (1983): 49.2 Million   GDP (Purchaser's Value)/Capita: $1040

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983*
GDP (Purchaser's Value - Current Prices)	19.2	28.5	38.1	51.0
GDP (Constant Prices - % Change by Year)	-1.0	4.2	4.4	3.2
Cost-of-Living Index (1980 = 100)	100	138	183	245

25X1

Prime Minister Turgut Ozal has moved quickly to implement measures furthering the 1980 Stabilization Program. Ozal hopes to increase the efficiency of the economy by making it more responsive to market forces. He has eliminated many import restrictions, abolished most foreign exchange controls, and introduced export incentives. In addition, the National Assembly has passed a controversial law permitting the government to sell t 25X1 inefficient state enterprises.

While real GDP growth slowed to a little over 3 percent in 1983, it should recover to 4 or 5 percent this year. Unemployment, however, will remain around 20 percent. Inflation rose to over 35 percent in 1983 and will probably stay near that level in 1984. 25X1

Export performance in 1983 was below expectations, but this was due largely to factors beyond Turkey's control. Exports to Iraq plunged because of Baghdad's financial difficulties, while world prices for Turkey's agricultural products fell. Exports should do better this year, aided by the new export incentives and the world recovery. This year's trade deficit will likely remain near the 1983 level, and Ankara's improving cred 25X1 rating should enable it to finance the deficit.

Turkey remains far behind the other NATO countries economically and will continue to need large amounts of financial aid as payments on rescheduled debt start falling due later this year and in 1985. Turkey's medium-term outlook, however, remains fairly good, and Ozal's economic policies should help to lay the foundation for stable growth in the future.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983*
Exports of Goods and Services	3.7	5.9	7.9	8.1
Imports of Goods and Services	9.1	10.4	10.9	12.0
Balance of Goods and Services	-5.4	-4.5	-3.0	-3.9
Current Account Balance	-3.7	-2.3	-1.4	-2.1
Long-Term Capital	1.9	1.2	0.7	0.8*
Total Reserves Minus Gold (yearend)	1.3	1.3	0.9	1.3

* Estimated

25X1

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UNITED KINGDOM: GENERAL ECONOMIC DATA

Population (1983): 55.8 Million GDP (Purchaser's Value)/Capita: $7,370

Total Output (Billion $US-1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	343.2	375.8	411.1*	506.0*
GDP (Constant Prices - % Change by Year)	-1.9	1250	2.1*	
Cost-of-Living Index (1980 = 100)	100	112	122	127

25X1

The recovery in the United Kingdom will pick up speed in 1984, with real GDP growth of around 3 percent. Renewed business confidence, rebounding corporate profits, stable interest rates, and relatively low inflation -- currently in the 5-6 percent range -- are likely to bolster investment and the economy. Unemployment, however, will remain high at nearly 13 percent of the workforce. Thatcher's budget for the fiscal year beginning 1 April addresses this problem indirectly by instituting reforms designed to reduce the tax system's bias in favor of capital-intensive investment. The government hopes that over time these measures will spur employers to hire more workers. 25X1

The 1984 budget confirms Thatcher's tight fiscal and monetary stance. Although monetary growth continues to experience strong pressure from the budget deficit, growth ranges have again been reduced. The budget deficit for the fiscal year just ending probably will be slightly below the revised target of $15.0 billion, but the government is likely to have trouble meeting its more ambitious goal of $10.9 billion for FY 1984/85. Large compensation payments, cuts in oil taxation designed to spur exploration, and ongoing difficulties for nationalized industries are behind the budget problems. The Treasury, however, expects to realize nearly $3 billion during 1984 from sales of nationalized companies to private investors. 25X1

The trade account will improve in 1984 as British exports benefit from higher growth in foreign markets, while imports, which grew rapidly in 1983, level off. Although both the trade and current account balances are in surplus, British exporters probably will be able to do little to recapture the shares of foreign markets they have lost during the past decade. Cost pressures on exports of manufactured goods in particular -- still priced too high despite productivity gains and a weaker pound -- could intensify. Trade union leaders are likely to increase pressures for larger wage boosts based on the recovery in corporate profits. In addition, some productivity gains may be lost as less efficient plants and machinery are utilized to meet increases in demand.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	167.1	157.3	147.0	136.6*
Imports of Goods and Services	154.5	140.0	134.1	131.5*
Balance of Goods and Services	12.6	17.6	12.9	5.1*
Current Account Balance	7.8	13.7	9.2	1.6*
Long-Term Capital	-3.3	-9.7	-4.9	-2.1*
Total Reserves Minus Gold (Yearend)	20.7	15.2	12.4	11.3

*Projected.

25X1

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WEST GERMANY: GENERAL ECONOMIC DATA

Population (1983): 61.3 Million   GDP (Purchaser's Value)/Capita: $10,700

Total Output (Billion $US - 1983 Exch Rate)	1980	1981	1982	1983
GDP (Purchaser's Value - Current Prices)	581.9	604.3	628.4	655.4
GDP (Constant Prices - % Change by Year)	1.9	-0.3	-1.1	1.3
Cost-of-Living Index (1980 = 100)	100	106	111.5	114.8

25X1

West Germany has emerged from the economic slump that began in early 1980; real GNP expanded 1.3 percent last year and could grow 2.5 to 3 percent in 1984. Consumer spending -- which led the upswing in early 1983 -- has since slowed, but business confidence remains high. Private investment, after a big jump in first half 1983, remains strong and should be a major growth stimulant along with exports in 1984. 25X1

The upswing has not been strong enough to ease significantly the serious unemployment problem. In early 1984 unemployment stood at 2.2 million persons -- 8.9 percent of the labor force -- and probably will remain at that level throughout the year even given anticipated higher growth and a revival in the labor-intensive automotive and construction industries. 25X1

Inflation fell to 3 percent in 1983, in part due to moderate wage settlements achieved last spring, and probably will be held to that rate this year as well. The current account surplus could reach $5 billion, compared to $4 billion last year, due to lower oil prices and a pickup in foreign sales. The chronic West German invisibles deficit probably will worsen slightly in 1984, after registering a slight improvement last year, largely because of a resurgence of foreign travel -- the largest expense item in th 25X1 services account.

Chancellor Helmut Kohl wants to reduce the role of government and encourage private enterprise. To ensure budget restraint in 1984, the ruling CDU-CSU-FDP coalition agreed that spending increases should be limited to 2 percent and borrowing should not exceed $14 billion. To that end, the cabinet approved reductions in benefits for the unemployed and imposed a pay freeze for public sector employees through March 1985. The only real cloud on the horizon that would endanger the recovery, in the government's view, is labor's demand for a 35-hour week with full pay and its threat of strikes to press the issue.

TRADE AND PAYMENTS (Billion $US, BOP Basis)	1980	1981	1982	1983
Exports of Goods and Services	236.1	220.2	221.2	215.3
Imports of Goods and Services	238.4	214.7	206.1	202.8
Balance of Goods and Services	-2.3	5.5	15.1	12.4
Current Account Balance	-15.9	-6.4	3.4	4.0
Long-Term Capital	2.7	3.8	-6.9	-2.9
Total Reserves Minus Gold (yearend)	48.6	43.7	44.8	42.7

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